

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
19 September 2017**

Minutes of a Meeting of the Committee held at the Princes Road Campus, Chelmsford on Tuesday 19 September 2017 at 5.30 pm.

PRESENT: Susan Hughes (Chair)
Stuart Hodges
Steve Houghton
Amanda Montague
Doug Zeeman

IN ATTENDANCE: Debs Hurst (Assistant Principal, Finance & Risk)
Andy Sparks (Principal)
Caroline Williams (Deputy Principal)
Mike Tadman (Assistant Principal, People & Services)
Mark Emerson (Director of Information Services)
Dan Harris (RSM, Internal Audit Service)
Rob Millea (Clerk to the Corporation)

542. WELCOME TO AMANDA MONTAGUE AND APOLOGIES FOR ABSENCE

The Chair welcomed Amanda Montague to her first Meeting of this Committee.

There were Apologies for absence from KPMG, external auditors (Stephanie Beavis and James Laing).

543. DECLARATIONS OF INTERESTS AND CONFIDENTIAL ITEMS

The Clerk declared his interest as Clerk of South Essex College and Company Secretary of Essex Shared Services Limited. The Assistant Principal, Finance & Risk also declared her interest as Director of Finance of South Essex College and as General Manager of Essex Shared Services Limited.

Both sets of auditors declared their interests as auditors of South Essex College and Essex Shared Services Limited.

The Clerk declared that his wife's cousin is the Clerk to Writtle University College.

No confidential items were notified.

544. MEETING WITH AUDITORS PRIVATELY

It was not considered necessary to meet with the auditors privately without management being present.

545. MINUTES OF THE MEETING HELD ON 20 JUNE 2017

The Minutes of the Meeting held on Tuesday 20 June 2017 were **APPROVED** and **SIGNED** by the Chair of the Meeting.

546. MATTERS ARISING

Workforce strategy

The Committee was informed by Mike Tadman that an overarching workforce Strategy document (which was tabled in draft) is in the process of being prepared to bring together all the existing policies on human resources and to identify any areas for future development.

The Committee agreed that the draft Strategy be reviewed by this Committee and approval sought at its next Meeting on 21 November 2017, before it then goes to the Board as part of the new Strategic Plan for the College.

The Chair noted the difficulty of recruitment in civil engineering and construction noted in the Areas of Future Development. The Deputy Principal explained how hard it is to find teachers and support staff for a limited amount of teaching and support time in these areas and even when this is achieved, it is expensive in comparable terms with full-time staff.

Further development of the strategy will be informed to some extent by the outcome of the upcoming Ofsted inspection.

Attendance of Principal at this Committee

The Committee agreed that the Principal would continue to attend Audit Committee Meetings in the future (although not as a Member of the Committee). The Clerk reported that a recent survey of about 70 Colleges

showed that 60% of Colleges have the Principal in attendance throughout the Meetings and another 15% for part of the Meetings.

Committee Membership

The Chair had expressed her concern at the last Meeting as to the number of Members of this Committee to ensure that it is quorate. The determined membership of the Committee is eight but, with the appointment of Amanda Montague to this Committee, the current Membership is now 5 with a quorum of 3. Further recruitment to the Board will give the opportunity to increase the membership further to 6.

Curriculum Assessment Review

Management reported that, following enquiry from the Committee, recruitment is positive this year and appears to have recovered the dip experienced last year. This will benefit the College next year financially under the lagged funding model.

There has been some swing between Social Care and Health Care and Extended Learning numbers are slightly down but complexities in students' needs this year means that revenues have gone up. Catering and Hospitality are down again and this curriculum line needs to be re-examined. There is a reduction in Business recruitment as there has been a shift from AAT classroom provision across to Apprenticeships.

Overall there is not much activity in Apprenticeships with slippage from last year and this seems to mirror the weak picture nationally as the drive for Apprenticeships and the new standards are embedded.

It was noted that end point assessments for Apprenticeships are still not all in place. FEDEC are putting together a City & Guilds framework to cover this in Essex. The Committee were concerned that there is a potential revenue risk if Apprenticeship enrolments do not improve and this is identified in the Risk Register and the RAG rating.

Funding 2017/18

The Budget is to breakeven for the year and once the ILR is completed at half term, it will be clear if that is achievable. If not, further savings will have to be made.

PREVENT Agenda

The Director of information Services reported that there is now a new local contact which is good news. The Clerk reported that all Governors

have completed the online training and the Assistant Clerk holds certificates in evidence thereof.

PFGP disbanded

The Committee noted that this Committee has been disbanded and Elaine Oddie and Michael Lager have been appointed by the Board as designated Finance governors. They will report directly to the Board.

The Committee wished that Elaine and Michael be invited to the next Meeting of this Committee on 21 November as Observers as that Meeting will cover approval of the annual financial statements and receiving the Audit Highlights Memorandum from the external and regularity auditor.

547. RISK MANAGEMENT REPORT

This Report was **PRESENTED** by the Assistant Principal, People & Services, comprising Risk Dartboard, and up to date Risk Register, the latter document having been placed on the Governors' Portal for detailed review by Committee Members. There has been a general improvement in the College Risk factors.

The College Risk Register was considered by the Committee. There are currently 26 key risks made up of no RED risks, 16 AMBER and 10 GREEN.

It was reiterated that GREEN does not mean Good, it means the risk is well managed, mitigations are in place and it is therefore considered less likely to occur.

There are two new risks since the last iteration of the Register presented to the Board Meeting at the end of March. These are:

- Failure to mitigate the loss of 16-18 funding this year of £700K under the lagged funding model and to achieve budget break even (AMBER)
- Failure to agree an extension to the existing revolving credit facility (GREEN)

The Assistant Principal, Finance & Risk reported that she has received verbal provisional agreement from the College bankers today to extend the RCF for a further eighteen months, which is what the College required and desired. There will be legal costs involved in this extension of say £5K and bank covenants will be updated as part of this extended deal.

The College is now going to actively move to marketing Beacon House and selling it in order to reduce our debt and to redevelop Princes Road.

A Governor asked about the use of the £50K transitional funding from the ESFA as a result of the Area Review in order to develop the relationship with Writtle. The Principal responded that discussions are continuing with Writtle and focus on curriculum strands and, possibly, some back room services.

The Committee then asked what effect would the developments with Writtle have on the College's relationship with Essex Shared Services. The Principal said that it is not possible to predict where discussions might lead and it could involve ESS working in the Writtle arrangements or some back room work could be done directly between the College and Writtle.

The Assistant Principal, People & Services reminded the Committee that review of the Risk Register is a standard agenda item at regular SMT Meetings and is therefore scrutinised on a continual basis.

Two risks have been reduced to AMBER – Commercial Income and 16-18 enrolments on the basis that mitigations have been put in place, including incorporation of the effects of both on the Budget for 2017/18. The expected surplus for this year is a reducing factor on the impact of these risks also.

In response to a query from the Committee, the Principal stated Risks will be reset in the near future e.g. curriculum intervention, 16-18 enrolments and reduced funding this year on the lagged funding model and Apprenticeships activity and this will be done at half term. He reminded the Committee that the Ofsted inspection is due shortly. There are strong hopes that there will be an increase in our Grade from 3 to 2 and our Self-Assessment Report, to be reviewed by the Board next week, proposes conclude that we are Grade 2.

The Deputy Principal reported that there has been an 11pp improvement in Level 2 achievement for 2016-17 and the College is now above National Averages. This is accompanied by clear and demonstrable achievement through value added. All measures relating to curriculum are now GREEN. This enables a narrowing of our intervention activity and overall a greater focus on curriculum issues.

The Committee observed that our intake is influenced by high achieving schools in the Chelmsford area which gives challenges for the College in dealing with the students which are enrolled here.

The Assistant Principal, Finance & Risk reported that Assurance Mapping is on hold but the intention is to discuss this further at the Governors' Development Day in February 2018. The purpose of the discussion will be

to explore/revisit the Board's risk appetite, update the mapping of the resultant risks and how assurance be obtained to satisfy this Committee and the Board.

The Committee **RECEIVED** the Report.

548. INTERNAL AUDIT

548.1 Internal Audit Plan 2017/18

The Committee **RECEIVED** the revised draft Internal Audit Plan for 2017/18 from RSM, the College's Internal Audit Service, which was introduced by Dan Harris.

As last year, the assignments proposed will provide the Committee with assurance on those particular areas but will not provide an overall internal audit opinion on the College's risk management, governance and control systems and this will continue to be the Committee's responsibility through its Annual Report to the Board.

Following the Committee's discussion at the last Meeting, a total of 21 days is proposed to be spent by RSM.

The Committee indicated it wished to see the following areas covered in the revised Plan:

- Student Journey – six weeks (Part 2) – four days
- Governance (re proposed abolition of PFGP Committee) – 1.5 days
- Essex Shared Services – Budgetary Setting and Control – four days*
- Essex Shared Services – Procurement - six days*
- Continuity Planning/Disaster Recovery Plan – four days

The items marked * are shared with South Essex College and therefore the days related to Chelmsford College are a total of just over three days (one third of 6+5).

Three and a half days should be held back as a Contingency and four days are to be allowed for RSM Management of their work. This would give a total of broadly 21 days. The Committee felt that part of the Contingency could be used towards any issues arising from the Ofsted Inspection.

On this basis, the Committee **RECOMMENDED** that the revised Internal Audit Plan for 2017/18 be approved by the Board at its Meeting on 29 September 2017, reflecting amendments as outlined above, which will be reviewed electronically in the meantime.

The Committee reiterated its wish that the following areas could be considered for Internal Audit reviews in 2018/19:

- Post-Ofsted Inspection issues (inspection due before Christmas 2017)
- Review of the application of General Data Protection Regulations (new rules from May 2018)
- Internal usage/controls of our IT systems
- Savings arising from the ESS model and the efficiencies that have been achieved

Members asked that a copy of the allocation of the ESS costs for the year just ended between the two Colleges be sent to members of the Committee once the ESS Board have approved the analysis, with comparatives against the situation prior to the establishment of ESS, if possible.

ACTION: CLERK

The Committee will ask the Board areas on which they feel they require assurance at the Governors' Development Day in February 2018. It may be that their wishes are in addition to areas which Management require. This links with comments under **547** above regarding the Assurance Map.

ACTION: DH

548.2 Internal Audit Progress Report 2016/17

Dan Harris **PRESENTED** this Report on progress in respect of agreed Audit Assignments for 2016/17.

All the audits planned for the year have been completed, namely, Essex Shared Services – Cash and Treasury Controls (reasonable assurance), Applications Management (including Student Journey – Part 1) (substantial assurance), Cyber Security (advisory Report only) and Subcontracting Controls (advisory Report only).

These audit opinions and advisory Reports will inform the Annual Report of the Audit Committee

The Report was **RECEIVED**.

ACTION: RSM

548.3 Internal Audit Completed Reports 2016/17

The Committee **RECEIVED** the completed Report on Applications **Management, including Student Journey Part 1.**

The purpose of the Report was to review the College's controls to ensure that the College retains students from first contact to the end of the first six weeks in order to maximise their funding claim and to maximise conversion rates from application to enrolment and capture sufficient data to learn and continuously improve.

This Report focused on the second objective and the Part 2 work planned for 2017/18 will focus on the retention of new students in the first six weeks of the new academic year.

The Report gave **substantial assurance** that the controls in this area were suitably designed and consistently applied.

Five low level recommendations were raised and agreed by Management regarding further development of the Student Admissions Policy, added support to the Information Advice and Guidance team, capturing activity to 'chase' potential students, further development and use of the admissions dataset and development of KPIs.

Conversion rates are key.

The Committee **ACCEPTED** the Report noted above.

549. PREVIOUS AUDIT RECOMMENDATIONS

The Assistant Principal, Finance & Risk tabled a summary of previous recommendations and actions taken. Of the thirteen recommendations made recently, six have been completed and all others are on course for completion, with timed dates for completion noted.

The Committee **NOTED** the Report.

550. COMMITTEE MATTERS

The Clerk **PRESENTED** his Report, covering the Committee's own Self-Assessment for 2016/17, a Review of the Committee's Terms of Reference, Compliance with the Committee's Terms of Reference during 2016/17 and the JACOP Self-Assessment Questionnaire, for consideration by the Committee.

The Committee **NOTED** the responses from Members to the Self-Assessment Questionnaire and the Clerk was instructed to monitor the points raised throughout the year in Committee or, where relevant, with the Board.

Key points were the Committee's desire for more Learning Walks and general interaction with students, the appointment of a Member to the Committee with specific audit experience and further training/presentations at Meetings.

The Committee **RECOMMENDED** the JACOP Self-Assessment Questionnaire, having reviewed the content thereof, be signed by the Chair of the Board and the Principal and passed to the regularity auditor.

The Committee **AGREED** its Terms of Reference remain unaltered, subject to two minor textual amendments being made, and **RECOMMENDED** that be renewed by the Board at its next Meeting on 7 December 2017.

The Committee **NOTED** that it had been compliant with its own Terms of Reference during 2016/17.

ACTION: CLERK

551. ANY OTHER BUSINESS

The Assistant Principal, Finance & Risk reported that KPMG have completed the first part of the 2016/17 audit and thus far no issues have arisen. The final audit is due to commence on 16 October.

552. DATES OF NEXT MEETINGS 2017/18

Tuesday 21 November 2017 at 5.30 pm. (invite Elaine and Michael)
Tuesday 26 June 2018 at 5.30 pm.

There being no further business, the Meeting terminated at 7.05 pm.

Signed.....Dated.....